
The IR Journal

Volume 2 Issue 1

December 1996

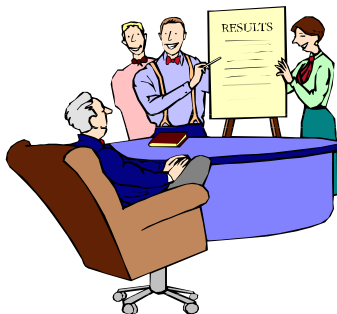
OTHER AGENCIES TO BENCHMARK AGAINST ARMY IR

Committee Plans New IR Strategy

A select committee was recently chartered by **Mr. Richard F. Chambers**, Director, Internal Review and Management Control, SAFM-FOI, to develop a new strategic plan for the Army's Internal Review Program and to develop supporting goals. Serving on the committee with **Mr. Richard F. Chambers** were:

- **Mr. Robert Barnhart**, ASA(FM&C)
- **Mr. George Sullivan**, XVIII Airborne Corps & Ft Bragg

(See **Committee**, Page 14)



Reengineered IR Program In Popular Demand

The Army's reengineered Internal Review Program is at the cutting edge of internal audit evolution. (See related article "*We Found The Enemy and They Were US!*" page 7) The evidence can be found in the personal schedule of **Mr. Richard F. Chambers**, Director, Internal Review and Management Control, SAFM-FO. For the past several months he has been (See **IR Demand**, Page 2)

Army IR To Celebrate 50th Anniver- sary in 1997

As many of our readers may know, the Army's current Internal Review Program was initiated in 1947. Some of you may argue that it goes back much further than that. Well that's true. Commanders had their own auditors for many years. But in 1946 those spaces were brought up to HQDA level to form the US Army Audit Agency. Many commanders immediately reconstituted their local offices "out of hide" the following year for they knew the value of having a fully responsive 'internal' audit capability available and at their disposal. It was this initiative on the part of Army's commanders that we consider the roots of the modern Army Internal Review Program.

*"Do not quench your inspiration
and your imagination, do not
become the slave of your model."*

-- Vincent Van Gogh

To commemorate this special occasion, a distinctive 50th Anniversary Seal has been adopted from a series of designs submitted by **Mr. Gary May**, IR Auditor with the Ohio National Guard. We are also looking into the feasibility of commissioning commemorative coins.

Copies of the Seal are available. Just drop us an e-mail.

(IR Demand, from Page 1) making presentations to numerous professional groups, public and private, about the positive changes made to the Army's IR Program.

Since late summer, Mr. Chambers has addressed the Inspector General, Department of Education; an Executive Group of the Air Force Audit Agency; and the Mid-Atlantic Audit Forum.



Workmen's Compensation - Ripe For Review!

Trying to help your commander get through the current shortage of resources? Want to put some money back into his or her accounts? Of course you do! Here's a tip then. Take a look at what's being paid in Civilian Injury and Illness Compensation (CIIC). This is the first year that non-reemployable cases (death and

long term illness, Codes DE and PN) are decentralized, so there should be more local visibility on the costs associated with this program.

Previous audits by Internal Review offices have produced substantial savings and more than a few horror stories. For example: one employee was found to have a severe allergy to cigarette smoke and was placed on disability. She'd been drawing it for many years. When smoking was banned in all Federal buildings, she continued to draw compensation payments for years. Reason: the agency never reviewed her case. If they had, she would have been invited back to work.

Ms. Janet Decker, IRAC, US Army MEDDAC, Ft. Eustis, VA. has shared with us 54 Worker's Compensation fraud indicators. The indicators were developed by the National Health Care Anti-Fraud Association and presented during a conference by Mr. Gary Smith, Director of Fraud Management, Travelers Group. The indicators are included in the attached supplement to this issue of *The IR Journal*.

Hackers, Crackers & Sniffers Target DOD

The U.S. General Accounting Office has reported that hackers attacked DOD computer systems as many as 250,000 times last year. These attacks were often successful, granting unknown and

The IR Journal

unauthorized persons access to highly sensitive information. This trend has been doubling each year, spurred by easier and greater use of the Internet and an increase in hacker sophistication.



GAO found that DOD lacks a uniform policy for assessing risks, protecting systems, responding to incidents, or assessing damages. In addition, training of users and system and network administrators is haphazard and constrained by limited resources. "Technical solutions . . . should help, but their success depends on whether DOD implements them in tandem with better policy and personnel measures," the report states.

Before you can be on the front lines of DOD's defense, you must become a Cyberwarrior. You also need to learn more about the enemy. For instance: Did you know:

Hackers are very organized - They even have an annual convention.

A modem is the number 1 entry site for gaining system access. Access is through the Internet only 10% of the time.

There are 1900 Web pages on Hacking! Just search the word 'Hacking.'

There are also 400 Bulletin Boards and about 30 publications.

3

The average bank robbery last year netted \$1900 and had a conviction rate of 80%. In contrast, the average computer fraud netted \$250,000 with only a 2% conviction rate!



Some lessons learned by the Cyberwarrior Advance Scouts (everyone in the game prior to you)

Cyberspace has no real laws. It is not costly to protect your environment.

Recovery can be 10 to 100 times more costly than the loss.

Few penetrations are detected or reported.

World-wide communications are compromised.

Hacker tools are sophisticated, user friendly and available.

Organized crime will hit you if it's profitable.

Drug cartels use nets for money laundering and information dissemination.

Foreign governments routinely explore networks. Top four penetrators:

Russia
France
China
Korea

How can you be a Cyberwarrior? Get smart in areas such as information systems and systems security. Take passwords seriously. Help your commander assess risks. And, come to the Army Internal Review Training Symposium, 24-27 March 1997 in St. Louis, MO., where you will receive Basic Combat Training for Cyberwarriors! Your drill

sergeants are scheduled to be Mr. William J. Marlow, Senior Vice President of SAIC, who will address "Computer Crime: What Is The Real Cost In Cyberspace?" and Mr. Charles H. LeGrand, Director of Technology, IIA, Inc., who will discuss "Business and Auditing Impacts of New Technologies."

The information contained in this article came from the IIA Annual Technology Conference and the October 1996 issue of "Internal Auditor", a publication from the Institute of Internal Auditors, Inc.

A Guide For Dealing With External Auditors

by Jeff Gladden, USARC IRAC

What is this guide? Why it's the "Bureaucrat's Guide For Accountability Avoidance (BGAA), of course. This guide instructs the reader on the correct way to respond to a critical GAO, DODIG or USAAA audit.

1. Say the GAO, DODIG, or USAAA audit report is filled with "gross errors."
2. State that you were "aware of the problems" which were "blown out of proportion" by the auditors who "nit-picked" your activity.
3. Imply or say that the GAO, DODIG or USAAA audit was a "vendetta." Throw in terms like "witch-hunt" and "sour grapes." Appear pitiful, picked on, or victimized (the former is easier to act out if

The IR Journal

you're married. You know - picked on, victimized)

4. Make the audit appear to be the problem, rather than the critical findings of the audit.
5. Imply incompetence of the audit team. Particularly effective terms are "idealistic," "too young," and "well-meaning but not well-informed."
6. Say you were set up, tricked, or lied to by the audit team. Always imply that the auditors "told me everything was 'OK' before they left."
7. Imply undue auditor criticism of the program's worthy goals and objectives. Distract attention away from poor management and deficient practices ("He who attacks the corrupt priest also attacks the church.")
8. Say the Comptroller General approved the practice that the auditor said was poor management or illegal.
9. Claim lack of expertise by the auditors. Use "it takes a snowplow operator to evaluate the effectiveness of snow removal" or "those of us in the field (pick one you know the most about) are aware of subtleties that mitigate what would appear to the uniformed as a finding."
10. Try to get the auditor fired. Contact the auditor's boss or source of funding. Repeat steps 1-9 with appropriate adjustments to suit situation.

"Obstacles don't have to stop you. If you run into a wall, don't turn around and give up. Figure out how to climb it, go through it, or work around it."

The -- Michael Jordan

Management Control Corner

by
Mike Petty, Program Manager for
Management Control, SAFM-FOI-M



Secretary of the Army's FY 1996 Annual Statement of Assurance on Management Controls -

The Federal Managers Financial Integrity Act requires Executive Agencies to establish effective management controls and each year provide an assessment of these controls and report any material weaknesses. The Army's FY 1996 Statement is a qualified statement of assurance. This means that management controls provide reasonable assurance with the exception of the material weaknesses identified in the report.

This year the MACOMs and HQDA staff agencies reported 125 weaknesses in their feeder statements. Of these 125 weaknesses, 42 are new this year (up from 20 new weaknesses reported last year). From these results, it's clear to us that more MACOMs and HQDA staff agencies are actively using the management control process and their annual statement as a vehicle to identify and fix management control problems. There are 18 material weaknesses reported in the Army's FY 1996 Statement. This includes 5 that were closed and 13 that are still uncorrected.

Assessment of Management Control Efforts -

In the next few weeks we will convene a joint team (OASA(FM&C)), USAAA and DAIG) to conduct the annual assessment of MACOM and HQDA staff management control efforts. Like last year, we will be assessing your efforts in leadership, training, execution, reporting of material weaknesses. For those of you that were looked at by USAAA, we will factor in the results of their review. We plan to use that results of this assessment to recognized those MACOMs and HQDA staff agencies for their management control efforts. We also plan to provide feedback on the results to all MACOMs and HQDA staff agencies in February or March..



Inventory of Required Management Control Evaluations -

The latest inventory was sent to MACOM and HQDA staff agencies on 12 November 1996. It should be used to update your five-year Management Control Plans. In summary, there are 138 required evaluations in this inventory (12 were deleted and 11 were added). Several HQDA functional proponents have made limited progress in identifying key management controls in their ARs. At the 6 November 1996 Senior Level Steering Group, Mr. Gregory challenged HQDA functional heads to get this done by the end of FY 97. On 15 November 1996, we sent out to MACOM and HQDA staff Management Control Administrators copies of 17 additional evaluations that are completed but not in the ARs. In

The IR Journal

each case, the HQDA functional will be sending them out through their FUNCTIONAL channels.

Management Control Administrators' (MCA) Course -

We are in the process of developing this course in conjunction with USDA Graduate School. The course is designed to walk the MCA step-by-step through their responsibilities. We anticipate the course will be two days long. We plan to conduct a pilot course with experienced MACOM and HQDA staff MCAs in late January or early February.

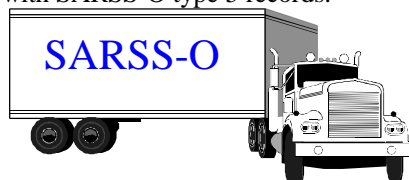
All Aboard the SARSS-O Train!!

by Freda Shorter, Auditor,
XVIII Airborne Corps Internal Review and
SARSS-O Family Member

When is the Standard Army Retail Supply System - Objective (SARSS-O) coming to your station/ installation? Be part of the installation conversion team. Your conversion team will probably consist of the Directorate of Logistics, the Supply Support Activities, the Resource Management Division, the Directorate of Information Management, and the Defense Accounting Office. Without a doubt, the team can use the analytical expertise an auditor can provide. Join the team and help prepare your installation for a smooth SARSS-O conversion.

Some of the actions needed to prepare for the SARSS-O conversion are:

1. Obtain a copy of TM 38-C08-1-3 - Standard Army Financial Inventory Accounting and Reporting System (STARFIARS) / Standard Army Retail Supply System - Objective (SARSS-O) - Interface.
2. Attend SARSS-O training provided prior to conversion.
3. Attend pre-SARSS-O conversion planning meetings.
4. Work the Standard Army Intermediate Level Supply System (SAILS) bottoms up / dues-in reconciliation.
5. Train customers to use a fund code in addition to the accounting processing code when submitting requests using SAILS.
6. Assist the installation in purifying the customer Department of Defense Activity Address Code (DODAAC) file.
7. Assist the installation in updating the Accounting Processing Code/Fund Code file with SARSS-O type 5 records.



It is not easy to prepare an installation for a conversion, but if you work as an installation team it can be both fun and exciting. Don't get left out of all the fun and excitement. Join the SARSS-O conversion team. The rewards you receive are endless. Not only will you learn about the Army's new logistical system, but you will get a chance to network and meet some great people. You will become part of the SARSS-O family. The SARSS-O family is currently located in the United States and Europe, but we are growing fast.

True or False

Are you beginning to believe every fact we present here will be false? This issue's question may just fool you.

True or False -

Plymouth, Massachusetts was the first settlement in New England, established in 1620.

Answer on page 13

KNOWLEDGE+ IMAGINATION +SPEED = GREATER WORTH

by
Gary Dissette, IRAC, Crane Army Ammunition Activity

As auditors we are expected to use knowledge and imagination in developing improvements and detecting fraud, waste, and abuse. We already access knowledge through our analyses of operations, regulations, and interviews with audited employees and managers intimately involved in the processes we evaluate.

Besides greater use of quick reaction audits, smaller scopes of review, and more flexible audit report formats, how can we further increase our perceived worth to commanders and their

The IR Journal

managers? Speed of useful information is one key:

Fast economies generate power and wealth faster than slower ones. Historically power shifted from slow to fast species or nations. Key factors include technology, speed of transactions, time to make decisions, speed of creation of new ideas brought to market, velocity of capital flows, and, above all, the speed with which data, information and knowledge pulse through the economic system (summarized from Toffler's "Power Shift").

So, how can you become more of an asset to your commander, directors and their managers? Increase your knowledge, imagination, and speed simultaneously. This requires the need to:

a. Obtain consistently vital timely information resources needed. (Some potential references are provided below.)

b. Become well versed in quickly using those resources. This will take dedicated, consistent planning and effort.

As a one man office, I understand well the task before us. Being responsible for all aspects of the Internal Review Program and managing office records is a chore. Where do we find time to be able to learn more and do more?

It takes planning and discipline and some sacrifice. There also has to be the realization that we can only do so much with limited resources. I suggest focusing on one specific reference and learning it well, then go on to the next. In that way we can increase our expertise, knowledge,

6

and perceived value to the organization.

To be viewed as a professional, we may also want to seriously consider certification (CPA, CIA, or CMA) and graduate studies (MBA, MPA, etc.).

Be willing to take on additional duties. When the commander approached me as a candidate for Acting Inspector General (AIG) I thought how can I do all this and still be effective? I soon found that my AIG duties provided me some excellent opportunities for areas to audit or study. The type of reviews were very limited in scope and were really quick response audits. My workload increased but ironically so did my output.

Sometimes just providing a reference for the commander to use in discussing the issue with legal is helpful. I almost always bounce conclusions off of legal or my HQ policy folks when the commander wants the final answer from me. Although we aren't a legal aide to the commander we can provide some helpful guidance in understanding operations and regulatory issues.

There is a variety of quality resources available. I have found the following useful in obtaining timely answers for my commander, directors, or their managers. The key is not just to obtain the resources but systematically review them to understand what is available - that is the great challenge - we are expected to do more with less and quicker. Some available resources are:

a. GAO Principles of Federal Appropriations Law series (1-3).

A useful reference based on Comptroller General decisions that gives general guidance useful in determining policy.

b. Relevant GAO reports and testimonies. Useful in preparing for audits and in identifying to your directors potential areas for improvement in operations they may want you to review.

c. Internet access. My personal top ten sites I find useful are:

- **Rutgers Accounting:**
<http://www.rutgers.edu/Accounting/raw/ia/certstd.htm>
- **IG Network:**
<http://www.sbaonline.sba.gov/ignet/ig.html>
- **Natl Performance Review:**
<http://www.npr.gov>
- **Purdue On-Line Writing Lab**
Web Server Home:
<http://owl.trc.purdue.edu>
- **Acctg, Audit, Fin and Econ:**
<http://www.financenet.gov/wwwlib1.htm>
- **IIA Certification:**
<http://www.rutgers.edu/Accounting/raw/ia/certstd.htm>
- **Army Regulations:**
<http://136.205.107.40>
- **Army Acquisition:**
<http://acqnet.sarda.army.mil>
- **Best Value Handbook:**
<http://www.govcon.com>
- **ISO 9000:**
<http://www.cris.com/~Isogroup/isolink.html>

The IR Journal



d. Decisions of the Comptroller General. These decisions show the logic used in evaluating situations and provide further references useful in supporting your audits or studies.

e. Defense Contract Audit Agency Audit Manual, Vol. 1-2, also available on CD-ROM or in the bound two volume (1132 pages) set. Although based more on auditing contractors, there are excellent audit techniques useful in the production environment such as the audit of purchasing system internal controls (5-600 Sect 6), Audit of Indirect and Other Direct Cost system controls (5-1001 Sect 10), Statistical Sampling Techniques (Appendix B), Improvement Curve Analysis Techniques (Appendix F).

f. Federal Acquisition Regulation, 1/1/96 (Known as Baby FAR). This one volume book provides specific guidance and further references if needed. Although geared toward contractor requirements, it is also useful in identifying potential improvements for government operated installations.

***"The harder you fall,
the higher you bounce."***

-- Anonymous

g. 1992 Ernst & Young Guide to Total Cost Management. Business process analysis, activity based costing, and continuous improvement methods and techniques are adequately explained with useful examples provided.



h. Sawyer's Internal Auditing. Used by the National Guard as the core reference in training their auditors, this book provides excellent explanations and examples on controls, audit standards, office management, sampling, and report writing.

i. Managerial Cost Accounting Concepts and Standards for the Federal Government, Statement of Financial Accounting Standards Number 4, OMB. Understand these principles because they are paramount to improvements in cost controls.

**Albert Einstein's
Three Rules of Work**

***"Out of clutter, find Simplicity.
From discord, find Harmony
In the middle of difficulty lies
Opportunity."***

Einstein



We Found The Enemy And They Were Us!

A good question to ask a gathering of internal audit professionals these days is: "Where do you think the profession is heading?" With the conceptual changes that have occurred in both the public and private sectors, ramifications on internal auditors have been numerous and profound.

First came the process reengineering wave. This involved training everyone, especially managers, in basic auditing skills - developing flow process charts, identifying duplication and unnecessary procedures, and involving all levels of the organization in the reviewing processes. Of course it wasn't labeled 'auditor training' but believe me, it was. This management approach can work as Demming proved in Japan. His Total Quality Management (TQM) philosophies spawned numerous positive changes wherever fully adopted and supported by management.

Unfortunately, on the heels of this modern managerial revolution, came an urgent need to reduce operating costs. Staffs were cut to the bare bone and "doers" were in demand while "checkers" were perceived as unaffordable overhead. After all, couldn't PATs do the same things? The situation of reducing "checkers" was exacerbated when reengineering teams began to also disappear or the time available for performing 'nice to do'

The IR Journal

activities was limited or no longer available.



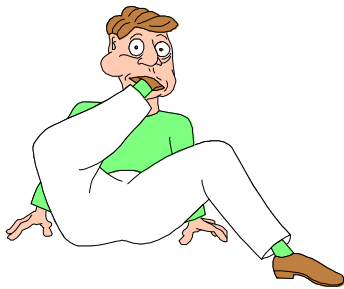
The internal audit profession was often caught in the middle. They were frequently in the first wave of reduced staffing, especially when decision-makers were taught the TQM philosophy that PATs could relieve the need for inspectors and auditors. The PATs could look for ways to improve quality, efficiency and effectiveness. The auditors became bill payers in the staff reduction mandates which kept coming from corporate level management (and continue to do so). All in all, the internal auditors were hit with a two-edged sword. *Why?*

The auditors asked themselves. *Doesn't management understand that we protect them? We provide them reasonable assurance that what they want done, is done, is done within the law, in accordance with existing policy, and that it is competently controlled? Doesn't management realize that internal audit is the most important management control tool they have?*

The answer in many instances is a resounding 'No!' Why is it no? Because the internal auditors have been so busy complying with standards to the nth degree, they've ignored one of the most important aspects of their jobs. Education. No not formal education of the audit staff. We're talking about the informal education of their customers - you know - marketing. But that's not all. What was there to market?

To managers and many internal auditors alike, an audit was an audit. "That's too much time!" pleads the pressured manager. "I need this information as soon as I can get it!"

"Well we've got to perform our work in accordance with professional standards. After all, you wouldn't want an unprofessional job would you?" the auditor replies with a sympathetic look on the face.



"Of course not." the manager concludes in a resigned voice. And so, in six months to a year (remember audit staffing isn't what it once was), the manager receives a sixty-eight page comprehensive report. Although there is now a new manager in charge of the division, the information should keep her from making the same mistakes as her predecessor.

Does that scenario sound familiar? Unfortunately, it was all too real - and still is in isolated places. Fortunately, Army IR leadership took a good hard look at itself early in the revolution and made some important course adjustments. The adjustments have been received with open arms by IR customers and have been the subject of a great deal of notoriety within both the public and private sectors.

What's been done? What hasn't been done! It started with an assessment of the program. A no-holds-barred look at what our

customers needed, what they thought of the program, and what the IR offices were doing to meet those needs. The resounding answer from commanders and their staffs was "I need more from my IR office." We found that most IR offices were mired in full scope auditing with downsized staffs.



This form of activity was exacerbating an already serious problem. Taking this information, Army leadership brought together the DA IR Steering Group, comprised of senior IR Chiefs from MACOMs, the National Guard, and Army Reserve. The Steering Group developed a Strategic Plan for the IR Program.

Subsequently, and in accordance with the strategic plan, reengineering teams were chartered to look at the delivery of IR products and services. These teams created innovative approaches to deliver audit services in greatly reduced time frames. They streamlined processes and procedures while continuing to meet, in both spirit and intent, professional auditing standards.

Armed with this reengineered body of knowledge, they took their new products on the road, conducting 32 on-site training sessions for over 900 auditors. And it didn't stop there. New reengineering teams were chartered to look at how reports can be streamlined and to develop performance measures and benchmarks for both customer satisfaction and delivery of services. Finally, a select committee was established to review IR's vision and strategic

The IR Journal

plan once again. The work of this committee will shape the future of the Army's IR Program into the next millennium.



That's quite a lot of movement in a field steeped in traditionalism and rigid professional standards. "So what's the result of all this?" you ask. The most important payoff from all this work is that most IR offices are now meeting the needs of their customers better than ever before. Local IR staffs are armed with innovative approaches designed to provide their customers with factual information when they need it.

What remains to be done? Marketing is the answer. IR offices need to continue to aggressively market their wares among all potential customers. It's not the brash, deafening, foot-in-the-door type of marketing that's needed. It is the type that focuses on educating management on the user friendly capabilities of the modern IR office.

Before wrapping up this article, let me make one more comment about the "management theory of the month" mentality. Why are such theories embraced so overwhelmingly anyway? Didn't Peter Drucker and others like him cover all the bases in the past?

Anyone who has played or even followed sports knows it's much harder to stay on top than it is to get there. Maybe we need a

“management theory of the month” to remind us of that or just to shake out the cobwebs of complacency.

All we need to do is follow some simple advice. First remember to treat others as you wish to be treated. Sound familiar? Next follow some simple yet profound advice offered by the late Jim Valvano. “Don’t give up, don’t ever give up!” Don’t ever give up your desire to improve yourself or your products and services. What do you think ‘continuous improvement’ is all about?

I always tell beginning internal auditors, “When you feel you know all there is to know in auditing - Quit.” That smug, self-assured feeling of satisfaction you feel is the embodiment of complacency; and it’s complacency that is the enemy of creativity and innovation.



Happy Holidays

IR Roundup

Awards -



- Congratulations are in order for **Ms. Patty Wing**, USMA IRAC, for passing the Certified Internal Auditor (CIA) examination!
- Congratulations to **Ms. Linda Gibson, Ms. Freda Shorter**, and **Mr. George Sullivan**, XVIII Airborne Corps and Fort Bragg Internal Review Office. They recently received certification as Certified Government Financial Managers from the Association of Government Accountants.
- The USAED, New Orleans District, Internal Review Office has 2 auditors that recently earned the Certified Government Financial Manager (CGFM) designation:
 - * **Rachel Harvey**, C.P.A., C.G.F.M.
 - * **Denise M. Trowbridge**, C.P.A., C.G.F.M.
- At the recent MEDCOM IR gathering in San Antonio, the winners in the MEDCOM Auditor of the Year program were recognized with distinctive plaques. They were:

Auditor of the Year - **Ms. Lelia Jones**, MEDDAC, Ft. Stewart, GA.

The IR Journal

Auditor of Excellence -
Mr. Jimmy Phillips, MEDDAC, Ft. Polk, LA.

Auditor of Excellence -
Mr. Jeffrey Weber, Garrison, Ft. Sam Houston, TX.

Congratulations to all three for their consistently outstanding work!

- **Mr. Thomas T. Kawachika** was awarded a certificate with career service emblem on 17 Oct 96 in recognition of 40 years of Federal service. Mr. Kawachika is assigned to the USARJ Internal Review Office.
- **Mr. Chris Tague**, USMA IRAC, recently completed 10 years of Federal Service and co-worker **Mr. Dan Pritchard** completed 5 years.

Changes -

- Effective 16 September 1996 the U.S. Army Information Systems Command became the U.S. Army Signal Command and on 1 October 1996 was realigned as a Major Subordinate Command of the U.S. Army Forces Command.

Promotions -



- **Mr. Joe Celli**, USMA IRAC, was recently promoted to GS-11.
- **Mr. Leonard Mayersohn**, NJNG IR auditor, was recently promoted in his NG

assignment to the rank of SGM.

In Memory -

- We are saddened to report that **Mr. Bob Jessup**, IRAC Chief, Arizona NG, passed away from a heart attack after an afternoon run on 16 September 1996. Only 49 years of age, Bob had given 29 years of service to the Arizona Army National Guard. His dedication, optimism, and great sense of humor will be greatly missed by his family, friends and co-workers. He was truly a good and caring person.

Hail -

- Mr. Nayer M. Mahmoud** reported for duty on 19 August 1996 as the new IRAC Chief, US Army Alaska, Fort Richardson, AK. Nayer came to USARPAC from HQ, USAREUR.

Farewell -

- Mr. Wilbur Tanaka**, GS-12, retired after 35 years of Federal service on 2 August 1996 from the US Army Garrison, Schofield Barracks, HI.
- Ms. Jeanne Flyum**, US Army Alaska, retired from federal service on 30 September 1996. Upon retirement, she returned to her home in Oregon.
- Grapevine has it that **Ms. Joyce Taylor**, US Army Alaska, will retire on 30

January 1997, with 18 years of federal service. Joyce plans to enjoy her retirement in Alaska.

- Mr. Carmon Rochelle**, US Army Japan, exercised reemployment rights and returned to CONUS on 20 Sep 96. Carmon worked with the USARJ IR Office for 5 years. His reemployment rights were with the US Army Audit Agency (TRADOC Field Office).

Training -

- Ms. Patty Wing** and **Ms. Janet Zmudzi**, IRAC, attended the IIA Eastern Regional Conference in Atlantic City, NJ.



Vacancies -

Auditor, GS-11

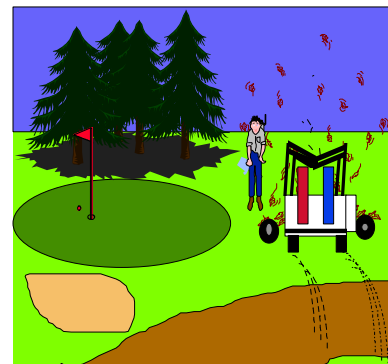
- 8th Army IRACO Announcement #S-96-11-119A (IRO) Open until filled. Submit application, SF50 & latest appraisal to: Seoul CPO Unit #1533, ATTN: EANC-SA-CPR, APO AP 96205-0177**
- The US Army Alaska IR Office will be recruiting for a GS-511-11 during December 1996. If interested, please contact Nayer Mahmoud at DSN (317) 384-7364 or commercial (907) 384-7364.

**Happy
Hanukkah**

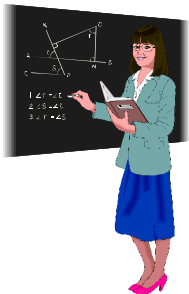
The IR Journal

Personals

There was an IR chief named Bill O'Hare,
Who gave his golfing pals one heck of a scare.
While driving his cart on a course in Myrtle Beach
Our friend slammed into a large pine or was it a beech?
The cart was maimed and his score implied futility,
While the course superintendent asked if he could spell liability!
But we wouldn't make light of his serious crash,
Or the fact that the course wants settlement in cash,
When we heard of the mishap we all cried 'Oh no!'
Then recalled that the tour guide was Frank 'Plate Glass' Bono.
But Bill will again venture forth armed with driver and wedge,
As we pray to our maker he hits nothing larger than a hedge.
As they all drove off into the setting sun,
The golf course managers all spoke as one,
It will long be remembered the sound of their scream,
"This group needs their own Damage Assessment Team."
So now the saga of this year's outing is closed,
For with these lines, the calamity's fully exposed.



The Training Corner



Advanced Audit Tools & Techniques

by Mike Galloway
Internal Review Office
Corpus Christi Army Depot

In October, I attended an excellent training course at the IG Auditor Training Institute, Fort Belvoir, Virginia

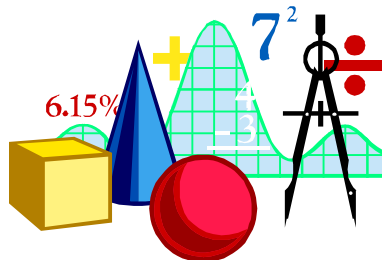
Course Title: **Advanced Audit Tools & Techniques**

The course focus is on seven auditing tools which combine, using hard data collections and statistical analysis, with a customer focused audit environment where auditors, as agents of positive change, partnership with managers for a shared commitment to improve operations and effectiveness.

The course instructor, Mr. Jeffrey Schultz, CPA, CQA of the Aurora Group, gives a superb presentation.

The 7 tools covered are:

1. Process Maps - to identify management control weaknesses and duplication.
2. Histograms - to understand variation in the process.
3. Process Control Charts - to audit processes by auditing variations.
4. Run Charts - to detect shifts and trends and unusual variations.
5. Cause and Effect Diagrams - search for possible causes for a problem.
6. Scatter Diagrams - to examine relationships between factors.
7. Pareto Charts - to identify and focus attention on the important issues.



Course material is highly relevant to today's value added audit environment and very applicable to helping our customers develop effective performance measurements and improve processes.

Recommend wide dissemination and use of this training resource and implementation of its concepts.

"I took a mirror up to Lovers' Lane. I told everyone I was Narcissus."

-- Stephen Wright

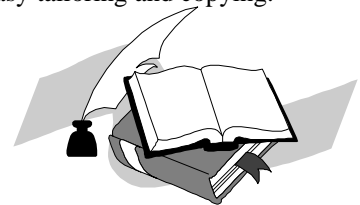
The IR Journal

New From The IIA



We've found some new reference materials in The Bookstore Catalog recently received from the Institute of Internal Auditors, Inc. (IIA). Here's a sample of some of the materials -

Business-Focused Quality Assurance Review Manual, 3rd Edition. - The IIA International Committee on Quality recently updated this manual to incorporate a more business-focused approach to quality control and audit department operations. The manual includes a diskette in the Word® for Windows™ format for easy tailoring and copying.



Enhancing Internal Auditing Through Innovative Practices

This IIA Research Foundation report presents the results of a survey of respondents who've implemented various innovations and synthesizes the information to identify common characteristics and issues that arose. The report includes 15 case studies of innovations adaptable to smaller organizations, non-profits, and government agencies.

On The Horizon

Control Self-Assessment: Experience, Current Thinking, and Best Practices

Watch for this IIA Research Foundation Report. It should be out soon.

Marketing The Internal Auditing Function: Guidelines For Success

Improving management's perception of the audit department and its value to the organization is critical in today's environment. This two-part reference guide should be essential reading for all internal review auditors. Publication scheduled for November 1996.

Using The Internet As An Auditing Tool This book presents an introductory overview to the Internet and its applications as well as tools and techniques for using this resource in an auditing environment. Due out in December 96.

Don't forget, the IIA has a plethora of valuable reference materials available - from IIA and Government Standards on diskette (Hypertext), to professional quality briefings, audio and video training, and IIA Research Foundation monographs. They also offer member discounts.

To see the new Bookstore Catalog see an IIA member or call the Institute's customer service center at (407) 830-7600, Extension 1.

"I fear, from the experience of the last twenty-five years, that morals do not of necessity advance hand in hand with the sciences."

- Thomas Jefferson in 1815



Reminder!

Do we have your correct e-mail address?

New SAFM-FOI E-Mail Addresses

Thought we'd better repeat this information.

We have all received new e-mail addresses within the SAFM-FO community. The old addresses will be accepted for a short period of time, but we suggest you make the changes and begin using the new addresses now.

New addresses are:

chambrf@hqda.army.mil
harriwm@hqda.army.mil
barnhrw@hqda.army.mil
pettytm@hqda.army.mil
doyleml@hqda.army.mil



The IR Journal

A Different Perspective to the Auditing Business

by
 Captain Deborah Richardson,
 USARC Internal Review

Many times we concentrate on the auditing techniques - the workpapers, the cross-referencing aspect of our jobs. These are important. But what gives us the ability to write sound recommendations that improve our organizations? Our experience and knowledge of our business processes and risks within our organization. The following are some suggestions, modified to fit our environment, that provide a different perspective from an article entitled "The Auditing Business" in the October issue of the Internal Auditor.

Auditor training can consist of other things besides auditing techniques. The "Yellow Book" states that at least 24 of the 80 hours has to directly relate to the government environment and to government auditing. We still need to ensure that our auditors know how to properly document their work. To add value to our units we need to understand their business processes and be partners in improving them. Think about possible areas within your audit plan where you need some technical training to increase your effectiveness. Then talk to your technical experts (DCSLOG, DCSOPS, etc.) about the best alternatives to obtain this training.

Soldiers, as well as most of our civilians, have some area of expertise other than auditing - USE these skills to enhance your audits! Think creatively about how you can make the most of the talents and experience on your internal review team.

Don't lose touch with what's going on in your organization. Be a partner and get involved early in new processes. The people within the sections you audit will know more about their business than you do. Our job is to become experts in the business of risk and risk management (management controls). Look at **processes** and advise management on **control issues** that will reduce risk. By doing this we become partners in prevention and less the policemen of compliance issues.

Be perceived as a value added function and everyone will support you. Ask yourself "Would this section pay my salary for this audit?". If the answer is no, then looking for ways to improve your value becomes critical.

What are Cyberpayments and Why Are Law Enforcement Agencies Concerned?

The term "Cyberpayments" is just one of many used to describe systems which facilitate the transfer of financial value (i.e. digital currency, e-money). In fact, these

developments may alter the means by which all types of financial transactions are conducted and financial payments systems are operated. This new technology will change many of the fundamental principles associated with a "cash" oriented society. Such transactions may occur via the Internet or through the use of "smart cards" which unlike debit or credit cards, actually contain a microchip, which stores value on the card. Some Cyberpayments systems use both.

The common element is that these systems are designed to provide the transacting parties with immediate, convenient, secure and potentially anonymous means by which to transfer financial value. When fully implemented, this technology will impact users world wide and provide readily apparent benefits to legitimate commerce; however, it may also have the potential to facilitate the international movement of illicit funds.

Why are cyberpayments a law enforcement concern? The speed which makes the systems efficient and the anonymity which makes them secure are positive characteristics from the public's perspective as well as law enforcement's in protecting the systems from being compromised. However, these same characteristics make these systems



equally attractive to those who seek to use it for illicit purposes and

The IR Journal

increased anonymity while providing security, may actually impede law enforcement from obtaining necessary information to detect illegal activity.

(From *Money in Cyberspace*, U.S. Treasury WebSite. For more info contact the U.S. Treasury Department at <http://www.ustreas.gov/treasury/bureaus/fincen/cybpape.html>)

True or False Answer

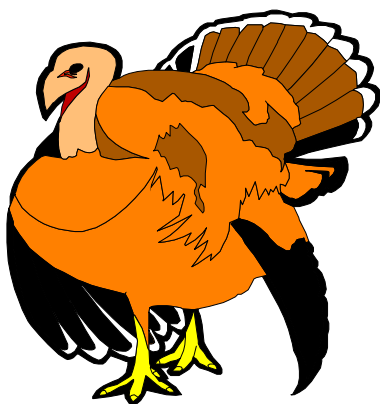
Sorry about that! This 'commonly known' fact is also **False**.

Plymouth was not the first settlement in New England. In 1607, long before the famous 1620 landing, a colony numbering 120 persons was established at the mouth of the Kennebec River in Maine under the leadership of George Popham. It did not, however, last; a combination of circumstances, including the hard winter and the death of two of the colony's chief sponsors, resulted in its abandonment the next year. But it remains the first New England colony to be established, short-lived though it was.

(Source: *The Dictionary of Misinformation*, by Tom Burnam, published by Thomas Y. Crowell, NY 1975.)

"When a man assumes a public trust, he should consider himself as public property."

-- Thomas Jefferson



AMERICAN EXPRESS (AMEX) TRAVEL CARD FRAUD

by
Mr. Nelson McKown,
Chief, IRAC, USASSDC I

The Fort Huachuca CID warns of a possible compromise of American Express (AMEX) Cards by computer hackers. The CID reports that hackers are acquiring AMEX credit card numbers and posting them on PC World Network Systems. In one incident, a TRADOC employee received a phone bill for \$1,800 for calls made on his AMEX card after a TDY trip had been completed. The AMEX card number was surreptitiously received and posted on the internet.

All AMEX cardholders should be careful about who might see statements, correspondence,

and charge sheets with the AMEX number on them to avoid their number being compromised.



* For example, the Carlson - Wagonlit travel agendas contain the number of the credit card charged with the trip. So please be careful to guard your number from unauthorized use. (Note added: The AMEX card is not being used Army-wide at this time for this purpose.)

All AMEX cardholders should pay close attention to their AMEX statements because there is a possibility of fraudulent charges appearing on statements in light of what has happened recently. If this occurs, the cardholder should call AMEX at the number on the back of their card (1-800-492-4922) immediately and identify those questionable charges. Then the cardholders should notify their AMEX coordinator and provide them a copy of the statement with the questionable charges for two reasons: (1) Follow-up action with AMEX on the cardholder's behalf, if necessary, and (2) potential referral of the matter to the CID or another agency for investigation purposes.

The IR Journal

(Committee, from Page 1)

- **Ms. Donna Rovere**, COE Audit Office, Huntsville Engineer Ctr
- **Mr. Henry Wheatley**, US Army Armor Center & Fort Knox
- **Mr. Mike Petty**, ASA(FM&C)
- **CPT Deborah Richardson**, USARC
- **Ms Michelle Doyle**, ASA(FM&C)

The committee met at Fort Belvoir on 18, 19 and 20 November 1996. They were given a blank piece of paper to start with and quickly focused on serving IR customers as the overall guiding principal. By the morning of the 20th, a new vision with five supporting goals had been developed and agreed to. In addition, specific actions to achieve the goals were identified.



The new vision, goals and supporting actions will be staffed with the Internal Review Steering Group and published early in 1997. A formal presentation that can be used to brief commanders and other customers will be distributed prior to the DA IR Training Symposium.

"Advertising: The science of arresting the human intelligence long enough to get money from it."

- Stephen Leacock

Microsoft and AICPA Help CPAs Expand Services

In October, the American Institute of Certified Public Accountants (AICPA) and Microsoft Corporation announced a long-term strategic initiative to help CPAs expand their services and assume a greater role as advisors to small businesses. The AICPA and Microsoft plan to work together over the coming months to develop a comprehensive technology and educational program that will help CPAs deliver expanded technical and business advice to their clients. The initiative will position CPAs as information professionals for more than 6 million small businesses nationwide.



"CPAs are committed to meeting increasing expectations from small businesses," said Barry Melancon,

"There is no great genius without a tincture of madness."

- Seneca (8 B.C. - 65 A.D.)

president and CEO of the AICPA. "The AICPA already offers numerous services to CPAs to provide valuable technology and business advice, and we are committed to doing even more for them. The strategic alliance with Microsoft builds on our complimentary strengths, ensuring greater recognition for our members as strategic business advisors and information resources to their clients and employers. This relationship is a clear indication that Microsoft and the AICPA view CPAs as an important channel of technology information to small business."

(Quoted from Microsoft Press Release
(<http://www.microsoft.com/corpinfo/press/1996/oct96/AICPAPR.htm>))

USARC IR Audit Plans

The 1997 Headquarters U.S. Army Reserve Command (USARC) IR Plan includes evaluations in the following areas:

- System to bring AGR Soldiers on duty
- Orders Writer System
- Commercial Accounts Payable System
- Individual Soldier Training
- Support Programs
- Excess and Unused Buildings
- GSA Vehicle Operations
- Custodial Service Contracts
- Small Arms Accountability
- AR Open Military Open Allotment
- Processing of Drug Test Positive Cases
- Processing Discharge Actions
- Processing Public Affairs Requests

The IR Journal

We ask any IR offices having background or other information concerning these subject areas provide it to Ron Carroll at the USARC IR by EMAIL at [carrollr@usarc-emhl.army.mil] or by FAX at (404)629-8647.



The IR Journal

is an unofficial newsletter for the Army Internal Review community published by the Office of the Deputy Assistant Secretary of the Army (Financial Operations). Its objective is to keep readers informed of issues which may affect or have affected the Army's Internal Review Program, the internal audit profession or auditing in the Federal government. *The IR Journal* will not be used to announce new or revised Army policy. It will however, often discuss new or changed policies subsequent to official announcement.

The editorial staff would like to hear your comments or ideas on improving *The IR Journal*. We would also ask you to submit articles, questions, good news, lessons learned, innovative

audit techniques employed, recommendations for training, or letters to the editor.

We ask DA Staff and MACOM Internal Review offices to provide us with information on promotions, awards, new assignments, births, marriages, etc. This is **your** publication, so please help us serve you better.

Please feel free to contact our editorial staff, Bob Barnhart and Michelle Doyle, at any time. They can be reached at DSN 225-2909, COMM (703) 695-2909/7693; FAX - DSN 223-1028, COMM (703) 693-1028; or e-mail BARNHRW@hqda.army.mil or DOYLEM@hqda.army.mil. Comments or questions pertaining to the Management Control Page can be directed to Mike Petty at DSN: 225-3225; COMM (703) 695-3225; or e-mail PETTYTM@hqda.army.mil. Mike's FAX number is the same as shown above.